

CENTRAL INTELLIGENCE AGENCY

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INTELLIGENCE MEMORANDUM NO. 292

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11 May 1950

SUBJECT: Reappraisal of ORE 7-50, "Probable Developments in Taiwan."

1. Developments since 20 February 1950, the information date of ORE 7-50, do not substantially alter the main conclusions of that estimate. These are: (a) no Nationalist regime will effect political and military adjustments sufficient to defend the island of Taiwan successfully against a combination of internal and external threats; and (b) the Chinese Communists are capable of seizing Taiwan before the end of 1950, and will probably do so.

2. From January until mid-April the morale of the Nationalists appeared to have taken a turn for the better. Some improvement in Nationalist military capabilities was indicated by the effectiveness of air raids on the mainland, the continuing sea blockade, the repulse of small-scale Communist thrusts at Hainan and other coastal islands, and several Nationalist "commando" raids on the mainland. The Nationalist military command seemed to have gained greater cohesion as a result of the reorganization which occurred with the return of Chiang Kai-shek to the Presidency in March. However, the rapidity of the Communist conquest of Hainan Island during the latter half of April, and the ineffectiveness of the Nationalist land, air, and sea defense of that island indicates that the reported improvement in the Nationalist military situation was more apparent than real, and strengthens the view that Nationalist military weaknesses are deep-seated and permanent. Furthermore, recent large-scale arrests provide evidence of disaffection, involving thousands of personnel, in the Nationalist armed forces on Taiwan.

3. The political situation in Taiwan, both as concerns the provincial and the national governments, showed signs of improvement during the first four months of 1950, with factionalism less in evidence than before. This was in contrast to the trend of deterioration indicated in ORE 7-50. The over-all economic situation has been fairly stable, offering no immediate threat to internal security. This political stability, however, because of its dependence on a feeling of military security, has been adversely affected by the easy Communist conquest of Hainan.

4. Although the Communists are encountering considerable administrative and consolidation difficulties in South and East China, such internal difficulties are not likely to have a significant effect on Chinese Communist capabilities to invade Taiwan. Furthermore, occasional reports of disaffection in the top command of the Chinese Communist army cannot be sub-

Note: This memorandum has not been coordinated with the intelligence organizations of the Departments of State, Army, Navy, and the Air Force.

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stantiated and are not regarded as evidence that internal strife will divert the Communists from their objective of eliminating organized Nationalist resistance.

5. Moreover, recent supplementary troop movements of Chinese Communist forces into the Shanghai-Hangchow-Ningpo area point to either: (a) an early, "all out" attack against the Nationalists' Chou-shan Islands' bases; or (b) a strong neutralizing action against the Chou-shans while the major effort is directed against Taiwan.

6. Basic obstacles to Communist invasion of Taiwan are the Nationalist Air Force and Navy. The Chinese Communists are known to have long been attempting to counter these obstacles by subversive means. In addition, the Chinese Communists, with Soviet assistance, have now developed an air force, which probably will be capable of neutralizing, if not eliminating, the defensive capabilities of the Nationalist Navy and Air Force. Furthermore, the mere appearance of this air force in combat is expected to have a seriously adverse effect on Nationalist morale.

7. The Chinese Communists repeatedly announced, during January and February, their intention to achieve the "liberation" of Tainan, Hainan, and Tibet during 1950. Following their capture of Hainan, they have publicly reiterated this intention regarding Taiwan and Tibet.

8. Although there is a considerable element of the unknown in the considerations briefly discussed above, the fall of Tainan to the Chinese Communists, by the end of 1950, still seems the most likely course of future developments.